

2018



# NEW MEXICO UNIT FUND

Report to the New Mexico  
Legislative Finance Committee and Interim  
Water and Natural Resources Committee



New Mexico Interstate  
Stream Commission

November 2018

New Mexico Unit Fund: Report to the  
New Mexico Legislative Finance Committee and  
Interim Water and Natural Resources Committee

New Mexico Interstate Stream Commission

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November 2018

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## **ABBREVIATIONS AND ACRONYMS**

<b>AWSA</b>	Arizona Water Settlements Act of 2004
<b>CAP</b>	Central Arizona Project
<b>CRBPA</b>	Colorado River Basin Project Act of 1968
<b>CUFA</b>	New Mexico Consumptive Use and Forbearance Agreement
<b>DFA</b>	Department of Finance and Administration
<b>EIS</b>	Environmental Impact Statement
<b>ISC</b>	New Mexico Interstate Stream Commission
<b>JPA</b>	Joint Powers Agreement
<b>NEPA</b>	National Environmental Policy Act
<b>NOI</b>	Notice of Intent
<b>OM&amp;R</b>	Operation, Maintenance and Repair (or Replacement)

## EXECUTIVE SUMMARY

The New Mexico Unit Fund (“NM Unit Fund” or “Unit Fund”) is a fund in the New Mexico treasury created by the NM Unit Fund Act, NMSA 1978, § 72-14-45, consisting primarily of deposits from the U.S. Bureau of Reclamation (“Reclamation”) pursuant to the federal Arizona Water Settlements Act of 2004 (“AWSA”). The Unit Fund Act requires that the Interstate Stream Commission (“ISC or Commission”) report to the Legislative Finance Committee and the Interim Water and Natural Resources Committee every year by November 15 on the following three items:

- 1) the status of the NM Unit Fund
- 2) the distribution of money from the Unit Fund to implement the purpose of the Unit Fund pursuant to the Unit Fund Act
- 3) proposed uses and levels of funding projected for the upcoming fiscal year

The AWSA provides New Mexico with up to an annual average of 14,000 acre-feet of water per year from the Gila and San Francisco Rivers in addition to the amount decreed to New Mexico by the U.S. Supreme Court in *Arizona v. California*, 376 U.S. 340 (1964) (“AZ v. CA”). In addition, the AWSA provides \$66 million (adjusted for inflation to \$90.4 million) for construction of a New Mexico Unit (“NM Unit”) or other water utilization projects in the counties of Catron, Grant, Hidalgo, and Luna.

The funds provided to New Mexico by the AWSA are deposited into the Unit Fund in ten annual installments. As of September 30, 2018, the current balance in the Unit Fund is \$53.96 million.

The FY2019 budget breaks down as follows:

1. The ISC’s FY2019 Gila/AWSA operating budget is \$315,000.
2. The ISC’s FY2019 Gila/AWSA Work Plan as approved by the ISC is \$835,000.
3. Reclamation’s FY2019 budget for environmental compliance activities related to the NM Unit as approved by the ISC is \$1,337,000. Reclamation will use the monies remaining from the original advance amount of \$4.4 million to fund its activities through June 2019.
4. The NM CAP Entity’s FY2019 budget as approved by the ISC is \$700,000.
5. More funds are anticipated to be expended for the non-NM Unit projects. While there is \$9.1 million committed to these projects, the exact amount of expenditures is currently unknown because it depends on progress made on those individual projects.

In addition, the FY2020 budget projection is as follows:

1. The appropriation request for the ISC’s FY2020 Gila/AWSA operating budget is \$315,000.
2. The ISC’s FY2020 Gila/AWSA Work Plan will be prepared in late spring 2019, and may include environmental compliance; technical and legal services. The estimates for these tasks are listed in Table 5.
3. Reclamation’s FY2020 budget as approved by the ISC is \$948,000. Funds will be advanced to Reclamation out of this budget. The exact amount of those advances is currently unknown, as it depends on the amount remaining from the original advance amount of \$4.4 million at the end of FY2019.
4. The NM CAP Entity’s FY2020 budget is \$791,685.
5. More funds are anticipated to be expended for the non-NM Unit projects. While there is \$9.1 million committed to these projects, the exact amount of those expenditures is currently unknown, and is dependent on the progress made on those individual projects.

## I. INTRODUCTION

During the 2011 Legislative Session, the New Mexico Legislature passed H.B. 301 (“the Unit Fund Act”) creating the NM Unit Fund in the State Treasury. The Unit Fund Act is codified as 2011 NM Laws, Ch. 99, NMSA 1978, § 72-14-45 (2011). The Unit Fund consists of monies distributed to the State pursuant to Paragraphs (2)(D)(i) and (ii) of Section 403(f) of the Colorado River Basin Project Act of 1968 (“CRBPA”), codified at 43 U.S.C § 1524(f), as amended by Section 107(a) of the AWSA. Pursuant to the Unit Fund Act, the Unit Fund can also consist of appropriations, grants, and donations or bequests to the Unit Fund.

Income from the Unit Fund is credited back to the Unit Fund. Balances do not revert to the general fund.

Money in the Unit Fund is administered by, and appropriated to, the ISC. The Unit Fund Act requires the ISC to report to the Legislative Finance Committee (“LFC”) and the Interim Water and Natural Resources Committee (“IWNRC”) every year by November 15 on the following three items:

- 1) the status of the NM Unit Fund
- 2) the distribution of money from the NM Unit Fund to implement the purpose of the Unit Fund pursuant to the Unit Fund Act
- 3) proposed uses and levels of funding projected for the upcoming fiscal year

This report includes these three items, and provides a general description of activities related to the AWSA and its implementation in New Mexico.

## II. BACKGROUND

The federal CRBPA directed the U.S. Secretary of the Interior (“Secretary”) to offer to contract with water users in New Mexico for water from the Gila River, its tributaries, and underground water sources in amounts to permit consumptive use of water in New Mexico not to exceed an annual average in any period of ten consecutive years of 18,000 acre-feet in addition to consumptive uses provided by Article IV of the Decree of the Supreme Court of the United States in *AZ v. CA*.

The federal AWSA amended the CRBPA by directing the Secretary to offer to contract with water users in New Mexico, with the approval of the ISC, or with the State of New Mexico through the ISC, for water from the Gila River, its tributaries and underground water sources in amounts that permit consumptive use not to exceed an annual average of 14,000 acre-feet in any 10-year period. This consumptive use is in addition to New Mexico’s decreed rights in *AZ v. CA*.

Should New Mexico divert and consumptively use the additional AWSA water, the Secretary must deliver “exchange water” from the Central Arizona Project (“CAP”) to downstream, forbearing Gila River water users in Arizona.

The AWSA further provides three separate tiers of funding from the federal Lower Colorado Basin Development Fund (“LCBDF”):

1. \$66 million, adjusted to \$90.4 million, in ten annual payments from Reclamation to the Unit Fund beginning in year 2012. This funding in the Unit Fund is administered by the ISC. Withdrawals from the NM Unit Fund are for the purpose of paying costs of the NM Unit<sup>1</sup> or other water utilization alternatives to meet water supply demands in Catron, Grant, Hidalgo, and Luna Counties as determined by the ISC in consultation with the Southwest New Mexico Water Study Group or its successor<sup>2</sup>. The AWSA also mandates that costs associated with planning, environmental compliance, and environmental mitigation and restoration, among others, be paid with withdrawals from the NM Unit Fund.
2. A maximum additional \$62 million. This additional funding breaks down into two different awards: \$34 million that is indexed to 2004 dollars (“Construction Funding”), which could be available solely for construction of the NM Unit, provided that certain conditions listed in the AWSA are met, and another \$28 million (indexed to 2004 dollars), which may be available for construction if a different set of conditions listed in the AWSA are met. For the moment, this additional funding continues to reside in LCBDF, and is administered by Reclamation.
3. Up to \$500,000 to pay costs for installation of gages on the Gila River and its tributaries for purposes of the Consumptive Use and Forbearance Agreement (“CUFA”) as part of the construction and operation of a NM Unit.

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<sup>1</sup> New Mexico Unit of the Central Arizona Project (“NM Unit”): Physical facilities to be used to divert, store, and deliver the additional water under the AWSA

<sup>2</sup> This group was succeeded by the Gila-San Francisco Water Commission. The New Mexico CAP Entity is the successor to the Gila-San Francisco Water Commission.

### III. ISC DECISIONS AND ADMINISTRATION

Section 212 of the AWSA tasked the State of New Mexico, through the ISC, with maintaining certain roles and taking certain actions. The ISC's major roles/decisions pursuant to the AWSA are listed in Table 1.

**Table 1. ISC's major roles/decisions pursuant to the AWSA**

No.	Role/Decision	Accomplished in
1	Notify the Secretary that New Mexico intends to pursue construction of a NM Unit by December 31, 2014	November 2014
2	Request to become a "joint lead" with Reclamation in the National Environmental Policy Act ("NEPA") process related to the NM Unit	February 2015
3	Fund non-NM Unit projects in Southwest New Mexico to meet water supply demands	2014-2015
4	Invest monies available in the Unit Fund	August 2016
5	Designate a local group called the New Mexico CAP Entity ("CAP Entity")	July 2015
6	Administer \$66M (adjusted for inflation to \$90.4M) in the Unit Fund	Ongoing

Brief descriptions of items 1-4 are provided in this section under three topics (NM Unit Project, Non-NM Unit Projects, and Investment). Items 5 and 6 are described in Sections IV and V.

#### **NM Unit Project**

At its November 24, 2014, the ISC voted to send a written notice to the Secretary that New Mexico intended to build a NM Unit, thereby meeting the statutory deadline of December 31, 2014, pursuant to the AWSA.

Prior to final design and construction of a NM Unit, an Environmental Impact Statement ("EIS") must be prepared, in accordance with the NEPA. Under the terms of the AWSA, the Secretary must publish a Record of Decision ("ROD") in the Federal Register, based on the completed EIS, no later than December 31, 2019, to secure the Construction Funding. If the NEPA process is delayed for reasons outside the control of New Mexico, the Secretary may extend the deadline to publish a ROD for a reasonable period of time, not to extend beyond December 31, 2030.

The AWSA designated Reclamation as the lead federal agency for environmental compliance activities related to the NM Unit, while providing for the State of New Mexico, through the ISC, to be designated as the joint lead upon request from the Secretary. On February 27, 2015, the ISC formally requested to be joint lead.

On November 17, 2016, the ISC approved an MOU between the ISC and Reclamation (“joint leads”) that outlines both agencies’ duties and responsibilities as NEPA joint leads with respect to environmental compliance and the preparation of the EIS for the NM Unit. At the same meeting, the ISC also approved a Funding Agreement between the ISC, Reclamation, and the CAP Entity (as the project proponent), to fund Reclamation’s work on this EIS, including Reclamation’s staff hours and contractors from the NM Unit Fund.

Reclamation selected EMPSi as the NEPA contractor in August 2017. Based on the CAP Entity’s proposed action, Reclamation published the Notice of Intent (“NOI”) in the Federal Register on June 12, 2018. This is the initiation of the formal NEPA process to prepare an EIS. Once the NOI was published, the NEPA contractor began the public scoping process to solicit public input. This process included eight public scoping meetings: five meetings in New Mexico (Albuquerque, Silver City, Cliff, Glenwood, and Virden), and three meetings in Arizona (San Carlos, Chandler, and Safford). A total of 355 people attended the meetings, and 1,444 comments from 560 submissions were received. The joint leads prepared a scoping report in August 2018. The report is available on the EIS website maintained by the NEPA contractor, which is separate from the ISC’s AWSA webpage. The EIS website address is: [www.NMUnitEIS.com](http://www.NMUnitEIS.com).

Currently, the joint leads are working with the Cooperating Agencies and soliciting their comments for the alternatives development process. Once the alternatives are final, the joint leads will work on the draft EIS, which is anticipated to be released in March 2019.

### **Non-NM Unit Projects**

In 2010, the ISC, with input from regional stakeholders, initiated a two-tiered evaluation process for solicitation, evaluation, and selection of project proposals to be funded from the AWSA funds. During Tier-1 of the process, the ISC received 45 project proposals from stakeholders, which were evaluated by a panel consisting of representatives from the ISC; the New Mexico Department of Game and Fish; the New Mexico Environment Department; the Energy, Minerals, and Natural Resources Department; and the Office of the State Engineer. Twenty proposals met the Tier-1 criteria and passed to the Tier-2 ranking process.

On February 29, 2012, the ISC selected 16 of the 20 Tier-2 projects for further assessment, refinement, or combination. In 2013, one proponent withdrew its proposal from consideration. That left 15 Tier-2 proposals being assessed for technical feasibility, legal feasibility, costs, water supply, benefits, and environmental impacts. At its November 24, 2014 meeting, the ISC voted to fund some of those Tier-2 proposals, at a total cost of \$9.1 million.<sup>3</sup> Collectively, the 16 projects for which the ISC approved funding in 2014 and 2015, are called non-NM Unit projects. Those 16 projects and their respective allocations are listed in Table 2.

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<sup>3</sup> One of those funded proposals was a Municipal Water Conservation Fund, not a specific project. The ISC allocated \$3 million to this Municipal Water Conservation Fund, and solicited applications from the four-county region in 2015. Through this application process, the ISC funded 9 Municipal Water Conservation projects.

**Table 2. Non-NM Unit projects and their awards as approved by the ISC**

	Project	ISC Award (\$)
1	Town of Hurley Regional Water Project <sup>4</sup> (Phase 1A)	2,100,000
2	Gila Basin Irrigation Commission Diversion Structure	1,250,000
3	1892 Luna Irrigation Ditch Association Diversion Structure	100,000
4	Pleasanton East-Side Ditch Improvement	200,000
5	New Model Canal Improvement <sup>5</sup>	200,000
6	Catron County Ditches Diversion Structure	500,000
7	City of Deming Effluent Reuse	1,750,000
8	City of Deming Effluent Reuse (2 <sup>nd</sup> Allocation)	596,000
9	Bayard Effluent Reuse	1,171,048
10	Lordsburg Meter Replacement	242,950
11	Rodeo Meter Replacement	14,000
12	Santa Clara Effluent Reuse	100,000
13	Silver City Park Irrigation Upgrade	18,157
14	Silver City Meter Replacement	500,000
15	Bayard/Cobre Schools Effluent Reuse	176,295
16	Hurley Meter Replacement	181,550
<b>Total</b>		<b>9,100,000</b>

<sup>4</sup> The original proposal was proposed by the Grant County Water Commission (GCWC). In 2016, GCWC transferred the ownership of the Phase 1A of the proposed project to the Town of Hurley.

<sup>5</sup> The initial allocation was for both Sunset and New Model Canals in the Virden Valley. In 2016, the Sunset Canal decided not to pursue its project. Upon request from the New Model Canal, the ISC re-allocated the full amount of the Sunset Canal grant to the New Model Canal.

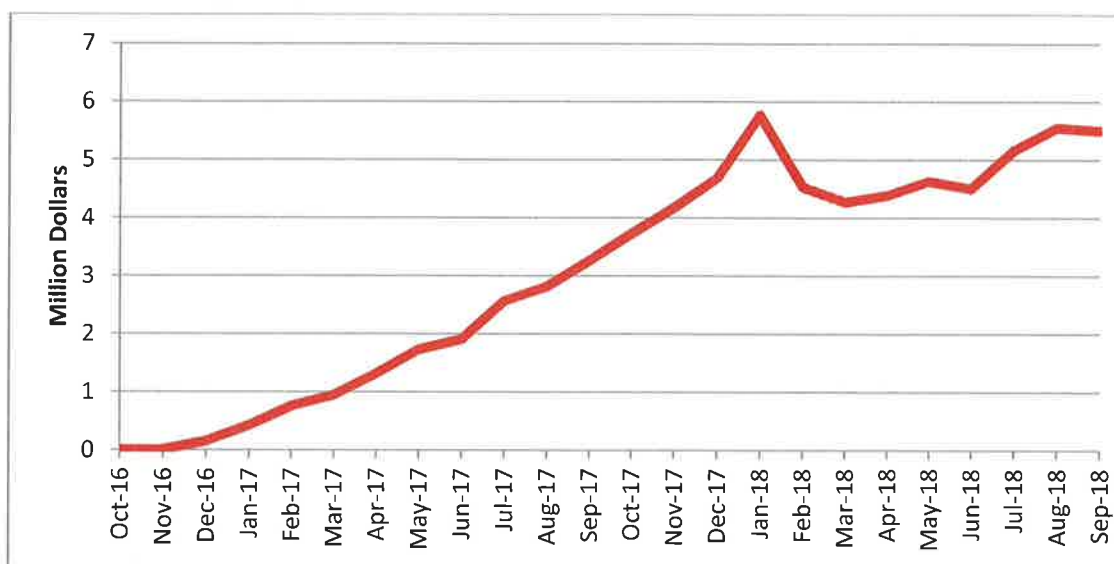
## Investment

In January 2016, the ISC hired a financial adviser to determine an appropriate asset allocation strategy for investment of the Unit Fund monies in the pooled funds offered by the NM State Investment Council (“Council”). At its June 22, 2016, meeting, the ISC approved the Unit Fund asset allocation, thresholds and targets, as per the investment adviser. These are listed in Table 3.

**Table 3. Asset allocation, thresholds and targets**

Asset Class	Implementation Choice <sup>6</sup>	Minimum Threshold	Target	Maximum Threshold
Large Cap U.S. Equity	Passive	22%	25%	28%
Small/Mid Cap U.S. Equity	Active	6.5%	8%	9.5%
Non-U.S. Developed Equity	Passive	15%	17%	19%
Non-U.S. Emerging Markets Equity	Active	4%	5%	6%
Core (Plus) Fixed Income Bonds	Active	40%	45%	50%

Pursuant to the Joint Powers Agreement between the ISC and the Council, a total of \$37 million has been invested out of the NM Unit Fund since November 2016. The increase in market value of the investments is \$5.51 million<sup>7</sup> as of September 30, 2018. The average annual rate is about 9.5%. Figure 1 shows the cumulative market value increase since the investment started.



**Figure 1 – Cumulative market value increase of the Unit Fund investment**

<sup>6</sup> The two implementation choices are actively or passively managed investment pools. Actively-managed strategies strive to outperform a relevant broad market benchmark, albeit at higher fees, whereas passively-managed strategies seek to meet the return of the relevant broad-market benchmark at substantially lower fees.

<sup>7</sup> A total of \$120,187 has been charged in investment costs as of September 30, 2018. It should be noted, however, that those costs for managing the pool are charged to each investment pool. Costs are allocated to each investor as a percentage of their ownership of units in the pool and it makes up part of the Market Value of investments at the end of each month. There are no direct costs for investing funds with the Council.

## IV. NEW MEXICO CAP ENTITY

The AWSA provides for the creation of the CAP Entity, an entity formed or designated by the State of New Mexico, through the ISC. The ISC formed the CAP Entity under a Joint Powers Agreement (“JPA”) in July 2015. This JPA was amended in October 2017 (“Amended JPA”). Both the original and the Amended JPAs were approved by the Department of Finance and Administration (“DFA”). The CAP Entity is currently composed of fourteen local governments from Southwest New Mexico. They are as follows:

1. Upper Gila Irrigation Association
2. Fort West Irrigation Association
3. Gila Farm Irrigation Association
4. Gila Hot Springs Irrigation Association
5. Catron County
6. Grant County
7. Luna County
8. Village of Santa Clara
9. Hidalgo Soil and Water Conservation District
10. Hidalgo County
11. City of Deming
12. San Francisco Soil and Water Conservation District
13. City of Lordsburg
14. Grant Soil and Water Conservation District<sup>8</sup>

In addition, the ISC signed both JPAs and is a non-voting member of the CAP Entity.

The CAP Entity has certain authorities and responsibilities pursuant to the AWSA:

1. Enter into the NM Unit Agreement<sup>9</sup> with the Secretary
2. Shall own and hold title to all portions of the NM Unit
3. Assume responsibilities to design<sup>10</sup>, build, operate, and maintain<sup>11</sup> the NM Unit, upon request from the Secretary
4. NM Unit project proponent in the NEPA process
5. Following construction of the NM Unit, the CAP Entity will be responsible for reimbursing the Secretary for operation, maintenance, and repair (“OM&R”) costs attendant to delivery of the exchange water in Arizona

The ISC is the CAP Entity’s first fiscal agent. The ISC considers and approves the CAP Entity’s annual budget, which includes the CAP Entity’s operating expenses, administrative costs, and contractual services. The City of Deming serves as the CAP Entity’s fiscal agent for those contracts and costs, and prepares financial documents required to request reimbursement from the ISC.

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<sup>8</sup> Joined the Entity through the Amended JPA

<sup>9</sup> This agreement was executed on November 23, 2015. The ISC is not a signatory to the NM Unit Agreement.

<sup>10</sup> In April 2016, the CAP Entity requested transfer of the design responsibility from the Secretary to the CAP Entity. It was transferred by the Secretary, through Reclamation, in May 2016.

<sup>11</sup> In August 2018, the CAP Entity requested the additional responsibilities for construction, operation, and maintenance of the NM Unit.

## V. NEW MEXICO UNIT FUND

The Unit Fund Act requires the ISC to report to the LFC and the IWNRC every year by November 15 on the following three items:

- 1) the status of the NM Unit Fund
- 2) the distribution of money from the Unit Fund to implement the purpose of the Unit Fund pursuant to the Unit Fund Act
- 3) proposed uses and levels of funding projected for the upcoming fiscal year

### 1) STATUS OF THE NM UNIT FUND

The funds provided to New Mexico by the AWSA are being deposited into the Unit Fund in ten annual installments of \$9.04 million. The seventh annual deposit from Reclamation occurred in January 2018.

#### Status of the Unit Fund as of September 30, 2018:

- Total received from Reclamation since January 2012: \$63.28 million
- Cumulative total expenditures for FY12-18: \$14.83 million (*as of September 25, 2018*)
- Increase in Market Value of investments: \$5.51 million (*as of September 30, 2018*)
- Current Balance: \$53.96 million (*as of September 30, 2018*)

### DISTRIBUTION OF MONEY TO IMPLEMENT THE PURPOSES OF THE FUND (FY2012-18)

The expenditures to date have been for the purposes of paying the following:

1. ISC's Gila/AWSA budget:
  - a. operating budget for FTEs and support costs
  - b. NM Unit conceptual engineering and water modeling (on behalf of the CAP Entity)
  - c. other engineering and scientific studies (including non-NM Unit vetting)
  - d. legal services (including litigation costs)
  - e. other costs (website development and maintenance, facilitation for public meetings)
2. Advance to Reclamation for NEPA budget
3. CAP Entity's budget
4. Sixteen Non-NM Unit projects

The breakdown of the expenditures is listed in Table 4.

**Table 4. Breakdown of FY2012-18 Unit Fund expenditures**

Item		Fiscal Years Applicable	Expenditure as of 9/25/18 for Services Rendered Through 6/30/18
ISC Gila/AWSA Budget	Operating budget	FY2012-18	\$1,603,194
	NM Unit conceptual engineering and water modeling ( <i>on behalf of the CAP Entity</i> )	FY2016-18	\$1,464,650
	Studies ( <i>includes non-NM Unit vetting</i> ) <sup>12</sup>	FY2012-17	\$3,795,906
	Legal services ( <i>includes litigation</i> )	FY2012-18	\$519,303
	Other ( <i>meetings facilitation, website</i> )	FY2012-15	\$108,234
Advance to Reclamation for NEPA Budget ( <i>includes staff hours and contractors</i> )		FY2017-18	\$4,413,000
CAP Entity Budget		FY2016-18	\$1,323,976
Sixteen Non-NM Unit Projects		FY2017-18	\$1,601,880 <sup>13</sup>

## USES AND LEVELS OF FUNDING PROJECTED FOR THE CURRENT FISCAL YEAR (FY2019)

1. ISC's Gila/AWSA Operating Budget: The appropriated FY2019 operating budget for ISC Gila staff is \$315,000, which includes 3 FTEs and support costs. This amount is the same as FY2018.
2. ISC's Gila/AWSA Work Plan: At its June 29, 2018 meeting, the ISC approved the FY2019 Gila/AWSA Work Plan<sup>14</sup> in the amount of \$835,000 for the purposes of planning for potentially funding technical services related to the NM Unit (as necessary and if requested by the CAP Entity); NEPA support and related services; and legal services. This amount is budgeted and may not be fully expended.
3. Reclamation's NEPA Budget: At its November 17, 2016 meeting, the ISC approved Reclamation's Interim Project Plan, as defined in the Funding Agreement, in the amount of \$4,413,000. This initial disbursement was made by the ISC in December 2016 ("2016

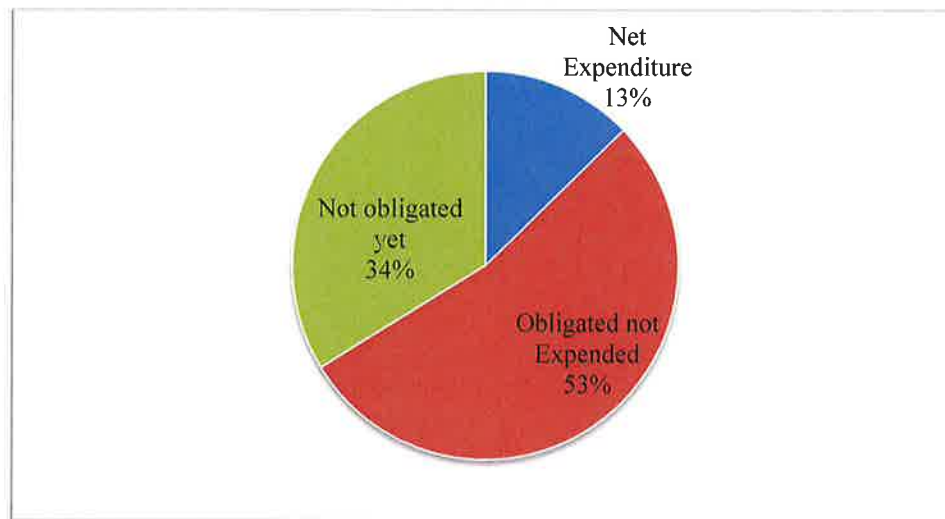
<sup>12</sup> All studies available at: [http://www.ose.state.nm.us/Basins/Colorado/isc\\_AWSA.php](http://www.ose.state.nm.us/Basins/Colorado/isc_AWSA.php)

<sup>13</sup> Out of the \$9.1 million that has been allocated collectively to the Non-Unit projects by the ISC

<sup>14</sup> This Work Plan does not include elements that were separately considered and approved by the ISC, i.e. Reclamation's NEPA budget and non-NM Unit projects.

Advance”). This amount has funded all Reclamation’s planned internal costs and contracts in FY2017 and FY2018.

At its May 18, 2018 meeting, the ISC approved Reclamation’s FY2019 budget in the amount of \$1,337,000. However, the 2016 Advance has not been fully expended by Reclamation. Figure 2 shows the breakdown of the full amount advanced to Reclamation.



**Figure 2 - Breakdown of the \$4.4 million advanced to Reclamation for NEPA budget as of September 25, 2018**

Reclamation still holds a balance of \$1,492,548 remaining from the 2016 Advance as of September 25, 2018. This balance will be enough to fund Reclamation’s activities in FY2019. Reclamation has informed the ISC that it will not request any further payments until July 2019, the start of the 2020 fiscal year. Therefore, there will not be any disbursements to Reclamation out of the Unit Fund in the current fiscal year.

4. **CAP Entity’s Budget:** At present, the CAP Entity’s expenses are paid from the Unit Fund pursuant to Paragraph V(m) of the Amended JPA. The ISC approved the CAP Entity’s FY2019 budget of \$700,000 on May 18, 2018. The CAP Entity’s budget includes operating expenses, salary for the executive director, administrative costs, consultants’ fees, legal services, and other contractual services.
5. **ISC’s Non-NM Unit Projects:** Out of the \$9.1 million allocated by the ISC for Non-NM Unit Projects, \$1,601,880 has been expended on these projects as of September 25, 2018. It is anticipated that more funds will be expended before the end of the current fiscal year. The exact amount of expenditures is currently unknown because it depends on progress made on those individual projects.

## **USES AND LEVELS OF FUNDING PROJECTED FOR THE UPCOMING FISCAL YEAR (FY2020)**

1. ISC's Gila/AWSA Operating Budget: The ISC FY2020 appropriation request for the Gila/AWSA operating budget is \$315,000 for 3 FTEs and support costs. This amount is the same as FY2019.
2. ISC's Gila/AWSA Work Plan: The FY2020 Gila/AWSA Work Plan may include environmental compliance, technical and legal services. The specifics of those costs will be determined based on the ISC's Joint Lead Agency work activity needs, and will be prepared and considered for approval by the ISC in May-June 2019.
3. Reclamation's NEPA Budget: At its May 18, 2018 meeting, the ISC approved Reclamation's FY2020 budget request in the amount of \$948,000. Reclamation will update its FY2020 budget and request ISC approval of that budget in April-May 2019. Staff anticipates that additional disbursements will be made to Reclamation in FY2020. The exact amount of such disbursements is currently unknown, and is dependent on the balance remaining from the 2016 Advance and Reclamation's updated FY2020 budget.
4. CAP Entity's Budget: The CAP Entity's FY2020 budget request in the amount of \$791,685 was approved by the ISC on May 18, 2018 and submitted with the ISC's FY2020 appropriation request. The CAP Entity's budget includes operating expenses, salary for the executive director, administrative costs, consultants' fees, legal services, and other contractual services.
5. ISC's Non-NM Unit Projects: It is anticipated that more funds will be expended on these projects in FY2020. The exact amount of expenditures is currently unknown because it depends on progress made on those individual projects.

The breakdown of the FY2019 approved budget and the estimated FY2020 budget projection is listed in Table 5.

**Table 5. Breakdown of FY2019 budget and FY2020 projection**

Item		FY2019 Approved Budget <sup>15</sup>	Estimated FY2020 Budget Projection
<b>ISC Gila/AWSA Budget</b>	Operating budget	\$315,000	\$315,000
	Technical services related to the NM Unit <i>(as necessary and if requested by the CAP Entity and approved by the ISC)</i>	\$500,000	Estimated \$500,000
	NEPA support and related services	\$200,000	Estimated \$150,000
	Legal services <i>(includes litigation)</i>	\$135,000	Estimated \$100,000
<b>Reclamation NEPA Budget</b> <i>(includes staff hours and contractors)</i>		\$1,337,000 <sup>16</sup>	\$948,000 <sup>17</sup>
<b>CAP Entity Budget</b>		\$700,000	\$791,685
<b>Sixteen non-NM Unit Projects</b>		Full amount committed	

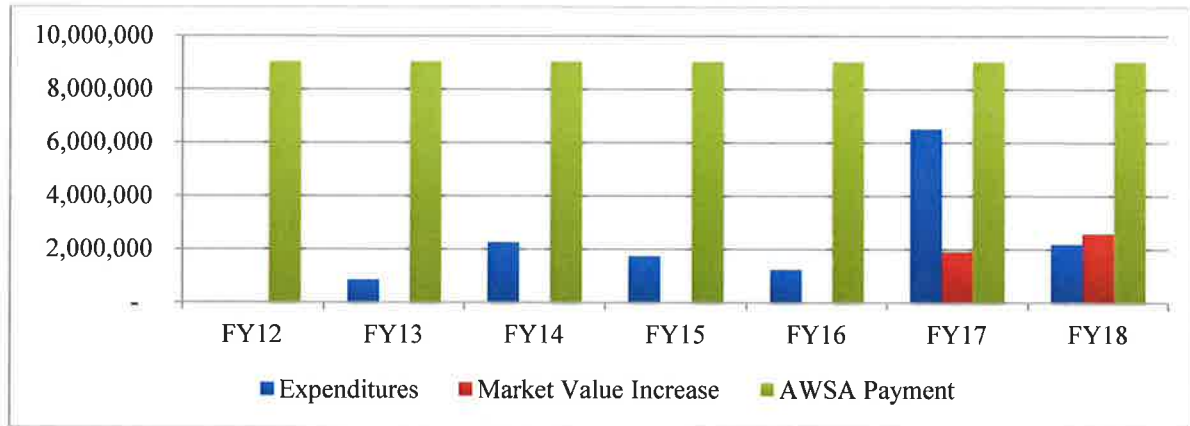
<sup>15</sup> The budgeted amounts may not be fully expended.

<sup>16</sup> As shown in Figure 2, the current balance remaining from the 2016 Advance is sufficient to fund Reclamation's FY2019 budget.

<sup>17</sup> The exact amount of additional disbursements is currently unknown, and is dependent on the balance remaining from the 2016 Advance and Reclamation's updated FY2020 budget.

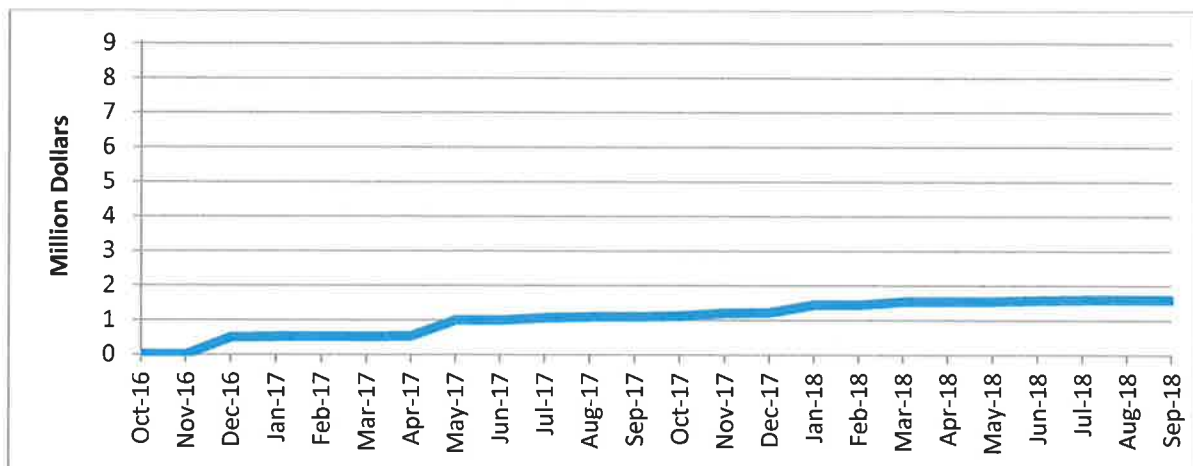
## VI. CONCLUSION

Figure 3 shows the expenditures, market value increase, and AWSA payments for each Fiscal Year. The increase in FY2017's expenditures was due to the 2016 Advance to Reclamation for the NEPA process, which was discussed earlier. In FY2018, the market value increase exceeded the expenditures.



**Figure 3 – Expenditures, market value increase, and AWSA payments per Fiscal Year**


Moreover, as shown in Table 4, expenditures include non-NM Unit projects, their vetting process, and the administration of their respective funding agreements. Even though the ISC allocated/committed \$9.1 million to the 16 non-NM Unit projects in 2014 and 2015, no requests for payment were received from the non-NM Unit grantees before December 2016. Since then, the ISC has been receiving requests for payment at a very slow pace of about \$70,000 per month on average. The total expenditure on the non-NM Unit projects to date is 1,601,880, about 18% of the full allocation. At the current pace, it is anticipated that the \$9.1 million allocation would be fully spent by the end of 2026. Figure 4 shows the cumulative non-NM Unit payments based on the requests from the grantees.



**Figure 4 - Cumulative non-NM Unit payments based on the requests from the grantees**

Finally, the ISC anticipates FY2019 and FY2020 expenditures to include operating budget, technical and legal services, Reclamation's NEPA budget, the CAP Entity's budget, and non-NM Unit projects.

NEW MEXICO INTERSTATE STREAM COMMISSION

A handwritten signature in blue ink, appearing to read 'John Longworth', is written over a horizontal line.

John Longworth, P.E., Acting Director